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Happy Birthday Baby Bull

John Dobosz, 10.10.03, 4:00 PM ET

Just 53 weeks ago, the bears were firmly in charge on Wall Street and the future looked bleak for the bulls. But the markets bottomed out on Oct. 9, 2002, and since then, the market's ascent has been nothing short of spectacular. Although some of the most-seasoned advisers are understandably wary of so much optimism, the technical picture continues to look strong and stocks are still attractive.

Dan Sullivan, editor since 1969 of the [Chartist](#) was especially cautious about wading back into the market after buying into bear market rallies in 2000 and 2001 that ended badly. Sullivan sat out the rally that began a year ago, but he jumped in shortly after the averages successfully retested their lows early in the springtime. By April 8, Sullivan bought into more than a dozen stocks that showed high relative strength like **Yahoo!** (nasdaq: [YHOO](#) - [news](#) - [people](#)), **eBay** (nasdaq: [EBAY](#) - [news](#) - [people](#)) and **Countrywide Financial** (nyse: [CFC](#) - [news](#) - [people](#)). He continues to buy into the market's strength and just added several new stocks to his portfolio, including **Corning** (nyse: [GLW](#) - [news](#) - [people](#)), **Emulex** (nyse: [ELX](#) - [news](#) - [people](#)) and **Research In Motion** (nasdaq: [RIMM](#) - [news](#) - [people](#)).

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Sullivan takes comfort from what he calls the "90% Rule": When 90% of stocks on the New York Stock Exchange trade above their ten-week moving averages, the market will continue to rise for the next several months. On all eight occasions in the last 33 years when this has happened, the market has moved higher. This happened in June, and combined with the favorable seasonality of the presidential election cycle, Sullivan believes stocks could continue to advance well into 2004.

So does the father-and-son team of Gerald and Marvin Appel, publishers of the 30-year old [Systems & Forecasts](#). Gerald Appel came up with the popular moving average convergence-divergence (MACD) technical indicator that's popularly used to discern trend. On all of the averages, it's been positive since March, although since June it's been advancing at a slower rate. "It's quite bullish to see stocks plateau like that without really falling," points out Marvin Appel, who nonetheless cautions that although the primary trend in the market is still bullish, "the odds of a correction are high."

Investors seem to have lost their fear of risk, notes Appel, who cites the outperformance of small and speculative stocks in the Nasdaq and Russell 2000 indices in this bull market. The Appels don't recommend individual stocks, but they are buying exchange-traded funds like the **QQQ** (amex: [QQQ](#) - [news](#) - [people](#)), **Diamonds** (amex: [DIA](#) - [news](#) - [people](#)) and the **Russell 2000 Index ETF** (amex: [IWM](#) - [news](#) - [people](#)).

One of the biggest thorns in the bull's side is the historically high level of optimism, observes Michael Burke, editor of [Investor's Intelligence](#). Burke tracks adviser sentiment and views it as a contrary indicator. Right now, bulls are 55.9% and bears are 22.5%. The bears are more abundant than at the 16.1% extreme on June 11--the lowest level since the spring of 1987. Most of Burke's other indicators like breadth, new highs vs. new lows, and volume indicators are bullish. One of the most attractive areas now according to Burke: airlines. He just bought **Northwest Airlines** (nasdaq: [NWAC](#) - [news](#) - [people](#)) and advises readers to buy American Airlines' parent company **AMR Corp.** (nyse: [AMR](#) - [news](#) - [people](#)).

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